



# PRESS RELEASE

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IRS – Criminal Investigation

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### **Former New Jersey Man Sentenced in Indiana to 20 Years for Biodiesel Fraud Scheme**

Joseph Furando, 50, of Montvale, New Jersey, was sentenced yesterday in Indianapolis, Indiana, to 20 years in prison, three years of supervised release and to pay more than \$56 million in restitution for his role in an elaborate scheme to defraud biodiesel buyers and United States taxpayers by fraudulently selling biodiesel incentives, announced Assistant Attorney General John C. Cruden for the Department of Justice's Environment and Natural Resources Division and U.S. Attorney Josh J. Minkler for the Southern District of Indiana.

"Programs like the Renewable Fuel Standard and the Blender's Tax Credit open the path toward energy independence and curbing the impact of climate change," said Assistant Attorney General John C. Cruden for the Justice Department's Environment and Natural Resources Division. "When people approach these programs with bad faith and seek to exploit them, these purposes are blocked, American businesses are hurt and the treasury of the United States is depleted. This significant prison sentence sends the right message that such fraud will not be tolerated."

"Joseph Furando used fraud to spin biodiesel programs into a million-dollar home, high-end cars, expensive jewelry and watches and any other luxury that pleased him," said U.S. Attorney Minkler. "He did so through threats, bullying, and intimidation. With the court's sentence, all of that unraveled. The agencies and prosecutors who unraveled his schemes have shown how foolish it is to try to prey on these programs."

"Fraud in the renewable fuels program compromises our ability to fight climate change and reduce dependence on foreign oil," said Assistant Administrator Cynthia Giles for Enforcement and Compliance Assurance at EPA. "Yesterday's sentencing puts a check on illegal behavior and sends a clear message that EPA and its partners will prosecute serious offenders. We are committed to upholding program integrity and protecting responsible companies that play by the rules."

"We are proud to work with our federal partners to identify and investigate groups that manipulate and utilize federal government programs to line their pockets by fraud," said Special Agent in Charge W. Jay Abbott of the Indianapolis Office of the FBI. "In doing so, they deceive their customers, their shareholders and the American public. The FBI will continue the fight against this dishonest and fraudulent behavior which harms the American people and the American economy."

"Federal government tax credits and incentives are put in place to assist the American people," said Acting Special Agent in Charge David Talcott of the IRS-Criminal Investigation. "The harm is felt by all American taxpayers and our economy when individuals manipulate and take advantage of federal programs. Mr. Furando perpetrated this egregious fraud for his own personal gain. IRS-Criminal

Investigation will continue to protect American taxpayers and our economy by vigorously pursuing individuals who prey upon the integrity of our great country.”

During yesterday’s sentencing hearing, Judge Sarah Evans Barker ordered Furando to pay more than \$56 million in restitution, jointly and severally with other defendants. That amount reflects the losses Furando and his co-conspirators imposed on fraud victims and United States taxpayers.

Under the terms of a plea agreement, Furando is obligated to forfeit the fruits of his crime, which include a Ferrari, other cars, a million-dollar home, artwork, a piano and two biodiesel powered motorcycles.

Furando’s scheme may be summarized as follows: From 2007 through 2012, Indiana-based E-biofuels owned a biodiesel manufacturing plant in Middletown, Indiana. Biodiesel is a fuel that can be used in diesel engines and that is made from renewable resources, including soybean oil and waste grease from restaurants. Under the Energy Independence and Security Act, properly manufactured biodiesel was eligible for a dollar per gallon tax credit as well as another valuable credit, called a Renewable Identification Number (RIN) that petroleum refiners and importers could use to demonstrate compliance with federal renewable fuel obligations. These incentives can be claimed once and only once for any given volume of biodiesel.

Furando admitted that sometime in late 2009, he and his companies, New Jersey-based defendants Caravan Trading Company and CIMA Green, began supplying E-biofuels with biodiesel that was actually made by other companies and had already been used to claim tax credits and RINs. Because these incentives had already been claimed, Furando could purchase the biodiesel at much lower prices, sometimes for more than two dollars per gallon less than biodiesel that was still eligible for the credits. The conspiracy functioned as follows: Furando supplied the product to E-biofuels and his co-conspirators would claim that E-biofuels made the fuel and then they would illegally re-certify the fuel and sell it at the much higher market price for incentivized biodiesel, known as B100 with RINs. Within the circle of those he trusted, Furando referred to this fraud scheme as “Alchemy.”

Furando, his New Jersey-based companies and his Indiana-based co-defendants realized huge per gallon profits through this scheme, sometimes in excess of \$15,000 per truckload. Furando realized his profits through the prices he charged E-biofuels. Over the course of approximately two years, the defendants fraudulently sold more than 35 million gallons of fuel for a total cost of over \$145.5 million. The defendants realized more than \$55 million in gross profits, at the expense of their customers and U.S. taxpayers.

In separate hearings yesterday, three corporations at the heart of the scheme were also sentenced for their joint liability in the scheme. Furando’s companies, CIMA Green LLC, and Caravan Trading LLC, were both sentenced to pay \$56 million in restitution and million dollar fines. The companies, which are largely defunct, must serve two years’ probation to ensure that what assets remain are properly directed toward victims. Toward that end, the court imposed, but suspended, the fines. The third company, E-biofuels LLC, operated by Furando’s co-defendants Craig Ducey, Chad Ducey and Chris Ducey, was also sentenced to pay the \$56 million in restitution. E-biofuels is in bankruptcy and its few remaining assets are being distributed to creditors and victims through the bankruptcy process.

The case is being prosecuted by Senior Litigation Counsel Steven D. DeBrotta of the U.S. Attorney’s Office, Assistant Chief Thomas T. Ballantine of the Environmental Crimes Section in the Department of Justice’s Environment and Natural Resources Division and Jake Schmidt, a Special Assistant U.S. Attorney of the U.S. Attorney’s Office and Senior Attorney for the Securities and Exchange Commission.

The collaborative investigation that brought this case to fruition is the result of work by EPA’s Criminal Investigation Division, IRS-Criminal Investigation, the FBI and the Securities and Exchange Commission, with assistance during the investigation by the U.S. Secret Service and the U.S. Department of Agriculture’s Office of Inspector General-Investigations.

All of the other defendants in this case have pled guilty and are awaiting sentencing. Another co-conspirator, Brian Carmichael, was charged in a separate case. Carmichael cooperated with the

government before the criminal cases were filed. In December 2015, he received a sentence of five years of imprisonment.

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